

there were there
—a man
business,
ill

MUNICIPAL ASSESSMENT.

To His Worship the Mayor and Aldermen of the City of Hamilton :

Having broadly stated it as my opinion that Real Estate only should be the subject of Municipal Taxation, I propose now to give my reasons for this opinion. It has been alleged (and with truth) that simply because Real Estate cannot be hidden, and is therefore easily got at for the purpose of assessment, and that personal property is difficult to be got at, and consequently much of it escapes or by possibility may escape assessment, is not a sufficient reason for allowing the whole of personal property to go free and placing the burden on Real Estate alone. I propose therefore to show better and more equitable reasons than this. It will no doubt be contended that if one man has put \$10,000 into Real Estate (I use these words in preference to "land," as I include in the words "Real Estate" the land and everything on the land which forms part of the freehold), and another man has put the same amount into personal property, there is no reason or equity in making the first man pay the whole burden of taxation. A very strong feeling prevails in this direction amongst those whose principal investments are in Real Estate. It exists with equal strength amongst the holders of what may be called tangible personal property, viz : that which can be seen and got at, (such as merchants and manufacturers stocks) in regard to those who hold intangible personal property, viz : that which cannot be seen and got at, (such as money, mortgages, stocks, debentures, &c.), and a great deal of which is believed (and doubtless with some truth) to escape altogether. I have no doubt a good deal does escape, and this is unavoidable under the present system of assessment. The point is, shall we seek to amend the assessment law so as to allow no escape of personalty, and should we succeed in this, would it after all be just. It is quite clear that Real Estate being local and immoveable must form the principal security to the creditors of the City. If it should happen that every dollar's worth of personal property was removed from the City, the land and the houses and warehouses (empty as most of them would be) would remain to meet our liabilities. Now, upon this view of the matter, what shall we say? Does the Real Estate benefit the personal property or does the personal property benefit the Real Estate? It appears to me self-evident that the personalty confers all the benefit. Real Estate owners cannot take their Real Estate to the personalty, but they can and do attract personalty to their Real Estate. What use is their Real Estate if it remains empty and unprofitable? What then do sensible people do? They will argue in this way :—We want to make this place attractive. How can we do it? Well, in the first place, we will encourage railroads to run in here to make it a commercial centre. We will then have an efficient water supply. We must also provide proper sewerage, good streets properly lighted, and a good police force. We must also provide good schools and a hospital, and an efficient fire brigade. All this time I am supposing personal property like a coy maiden keeping aloof until being wooed by real estate she consents to cast her lot in with his. Now, mark the effect. Merchants attracted by the place, and believing that a good trade can be done, come into it. They require business premises, and they require dwellings, and they give employment to people who also require dwellings. Manufacturers in like manner only to greater extent do the same. The gentleman of independent means requires a good residence, and helps to support the City. Can it now be argued that the Real Estate has conferred any favor or benefit upon personalty? Is it not entirely the other way? Does not personalty confer a benefit on Real Estate? True, Real Estate has made the City a suitable place for merchants and manufacturers to prosecute their business in, and has made it an attractive place for the residence of people of wealth; but in whose interest was this done? Was it done by Real Estate owners in a spirit of pure philanthropy for the benefit of holders of personal property? Was it not rather done by Real Estate owners because they knew that their property

1884
P. 74/4

2

...valueless without the co-operation of personal property ?
 ...me the Financial Statement of the City for the year ending 31st
 December, 1883, and I will analyze this so that we may see the nature of the
 different items of expenditure and what benefit personal property derives from
 the different items of the expenditure, and in this way we shall better under-
 stand whether personal property is so benefitted as to be equitably liable to
 assessment. The items are as follows, and for convenience of reference I have
 numbered them from 1 to 34 :—

ABSTRACT OF EXPENDIDTURES.

For the year ended 31st December, 1883.

1.	Administration of Criminal Justice.....	\$ 15,287 85
2.	Board of Works.....	53,808 47
3.	Board of Health.....	2,127 06
4.	Board of Education.....	60,000 00
5.	Burlington Beach.....	136 65
6.	Cemetery Expenses.....	1,181 81
7.	Charitable Expenses.....	3,451 50
8.	City Hall Expenses.....	621 27
9.	Crystal Palace Expenses.....	659 26
10.	Court House Constructions.....	3,000 00
11.	Debentures Redeemed.....	28,696 67
12.	Dog Pound.....	533 10
13.	Fire Department.....	19,704 08
14.	Fire Department Real Estate.....	1,326 72
15.	Fuel, Stationery &c.....	2,834 41
16.	Gas Supply.....	3,484 08
17.	Hospital Real Estate.....	6,054 85
18.	Hospital Expenses.....	13,782 25
19.	House of Refuge Expenses.....	5,204 61
20.	Interest.....	132,997 15
21.	Law Costs.....	886 54
22.	Lands Redemption.....	15 89
23.	Loss Account.....	1,889 67
24.	Markets.....	2,617 82
25.	Outstanding Orders.....	3,229 61
26.	Printing and Advertising.....	1,200 64
27.	Police Department.....	32,688 13
28.	Parks Expenses.....	247 60
29.	Salaries.....	13,106 57
30.	Sewerage.....	23,170 27
31.	Sinking Fund By-Law 1882.....	2,685 95
32.	Stock Dividend.....	58 30
33.	Separate Schools.....	5,600 00
34.	Water Works Department.....	63,052 08
	Cash on hand and in Bank 31st December, 1883.....	2,293 06

\$512,643 52

ABSTRACT OF RECEIPTS.

For the year ended 31st December, 1883.

1.	Cash on hand and in Bank 1st Jan, 1883.....	\$ 9,638 13
2.	Administration of Criminal Justice.....	94 10
3.	Board of Works.....	680 00
4.	Board of Health.....	140 00
5.	Burlington Beach.....	365 00
6.	Bank of Hamilton General Account.....	11,699 09
7.	Cemetery.....	1,124 90
8.	Fire Department.....	47 50
9.	Government Grant.....	470 80
10.	Hospital.....	4,938 14
11.	House of Refuge.....	1,083 46
12.	Interest.....	2,887 30
13.	Licenses.....	23,465 02
14.	Loss Account.....	1,500 00
15.	Markets.....	12,094 07
16.	Police Department.....	4,381 46
17.	Printing and Advertising.....	4 54
18.	Real Estate Rents.....	765 00
19.	Registry Office.....	4,359 02
20.	Sewer Rates, Rents and Commutations.....	7,802 63
21.	Stock Dividends.....	170 91
22.	Taxes.....	312,397 83
23.	Water Works Department.....	113,146 40
24.	Outstanding Orders for 1883.....	2,388 22

\$512,643 52

890250

In treating any subject it must be discussed on general principles. There will be isolated cases in every community. To illustrate this briefly, a man of large means may live at an hotel, and not being engaged in business, occupies no Real Estate whatever. This is an isolated case. That man will escape taxation. He escapes now, and in my view, not unjustly. The hotel keeper with whom he lives pays sufficient to cover the cost of all the benefit his guest enjoys, and it is included in what he pays for his board and lodging. I only mention such cases because so many people are apt to pick out such an instance and use it as an argument against a scheme which is otherwise good, using the exception to disprove instead of to prove the general rule. Setting aside therefore isolated cases, I assume that every one who has a permanent position in the City lives in a house suited to his requirements, and that every one who is engaged in business occupies in addition to his dwelling some business premises. Doctors are about the only exception to this rule, as they seldom have any special place of business beyond their dwelling. For the sake of disposing of the question of personalty from the personal property owners' point of view, for I am now arguing in favor of its exemption, I will further assume that none of the parties I am now writing about (that is owners of personalty in contradistinction to Real Estate owners) own any real estate, but simply occupy it as tenants. The law of supply and demand will of course regulate the amount of rent paid. However much people may contend to the contrary, this must be the inevitable result. The landlord will add to the rent the equivalent of the increase which he is obliged to pay on his Real Estate on account of the exemption of personalty, if the demand for Real Estate will warrant it. The only case which occurs to me in which the proposed change could create any hardship would be in the case of leases at a fixed rental, the landlord agreeing to pay the taxes. In this event the landlord would have to pay the increased amount of taxes until the expiration of the lease, and could not collect it from the tenant. Such cases might become the subject of special relief by the Court of Revision. They would be few in number, and would soon die out. No relief should be given on any lease entered into after notice of application for the change in taxation nor for any lease having more than three years to run at the time of its coming into force, except as to those three years. This would dispose of the objection which has been made that people bought Real Estate with a certain state of law existing, and that it is unjust to change the law; an objection which, if carried to its full extent, would absolutely prevent legislative change altogether. I desire now to compare the position of persons of different classes, comprising together the whole community, and will divide them as follows: 1, Real Estate owners; 2, Merchants, Manufacturers and others holding large amounts of tangible personal property; 3, Persons of independent means holding large amounts of intangible personal property; and 4, Mechanics, Operatives, and others working for daily wages. There are certain things which all these classes require and enjoy in common. There is also a principle of such evident fairness and of such universal application in every other transaction of life that it is difficult to understand why it should not be an ingredient (which it certainly is not) in Municipal Taxation. That principle is the principle of a *Quid pro Quo*, or in other words, that if you charge a person a sum of money for anything, he has a right to expect not merely something for his money, but a fair equivalent. I am quite certain that those who read this would consider it as a most remarkable thing if a butcher or baker should claim to be entitled to charge a customer for his meat or bread in proportion to his customer's assessed value in the City. A loaf of bread is of a certain value, and of no more value to one than to another. What would be so ridiculous in ordinary business transactions is equally absurd in Municipal matters. I will illustrate what I mean by reference to item 2 Board of Works, \$53,808.47; item 4 Board of Education, \$60,000; item 13 Fire Department, \$19,704.08; and item 27 Police Department, \$32,688.13. Every individual in the four classes into which I have divided the community derives the same personal benefit from the expenditure of these items. The Board of Works expended the above amount in improving the roads and sidewalks. It is of course clear that each person as an individual derives as much benefit from this expenditure as another, and no more. The person who occupies a \$1,000 house enjoys the same benefit as the individual who lives in a \$20,000 house. Can anyone say that the latter has any more good out of the roads and sidewalks than the other? Yet he pays just twenty times as much for the accommodation. This seems bad enough. Where is the

Quid pro quo? We are in fact in that case taxing a certain amount of personalty, that is the amount expended on the vacant land and thereby converted into Realty. However I do not intend to advocate the assessment of land alone, exclusive of the improvements, for many reasons, principally because it would have the effect of imposing too heavy a burden on the working classes, for it must be borne in mind that Henry George's plan of raising revenues from the land only, while it might benefit that class in England where not one in a million owns any land, would work exactly in the opposite way here where nearly all own land; but I do contend that admitting the absence of equivalent value which the one person (viz., the \$20,000 house owner) suffers if the other (viz., the \$1,000 house owner) receives equivalent value, we should not go to the further injustice of saying to the owner of the \$20,000 house "we admit that you pay twenty times as much as your neighbour for roads, sidewalks, street lamps, schools, police and fire protection, but you own \$100,000 of personal property, and you must pay on that as well as your house." There appears rank injustice in this. What benefit is the expenditure of this money to personal property. All these expenditures must, I think, be looked on as either for the personal protection and comfort of the individual or the improvement of Real Estate, by which I mean making Real Estate of some value or more value to the owner. It has been urged that owners of personal property are largely benefited by the expenditure of the City money. That merchants and manufacturers with large stocks of goods require more police and fire protection than ordinary citizens. It is only these two items that are claimed in this way, and they only amount to the sum of \$53,000 or thereabouts. Certainly merchants and manufacturers who hold a large amount of tangible personal property are benefited by this expenditure, but do they not pay handsomely for it. To begin with, such persons almost invariably employ private watchmen, and having already, in common with other citizens, paid their full share of these expenses on their dwelling, they certainly pay quite enough on their business premises to cover the extra benefit they derive from these items of expenditure. Next take the schools. How does this affect personal property? It is an expenditure for the benefit of individuals. Why is the owner of a large amount of personal property to be assessed for schools? Does he get any value whatever for his money? He has already as an individual paid his share of this tax on his dwelling, which entitles him to all the privileges of sending his children to the schools. Possibly he pays a further large sum for his business premises, and the only way many of these charges can be defended is that if the land was not occupied by business premises it might be covered by dwellings which would be occupied by persons who would pay taxes. This is a mere theory, because it is quite clear that if it was not for the employment of personal property and the occupation of the buildings for that purpose, a large amount of the Real Estate would remain vacant and be utterly unremunerative.

I will now discuss item 34, Water Works Expenditure, \$63,052.08. An attempt is made in this case to give a *Quid pro Quo*. It is not altogether a success in that way, as the water rates are based solely on the assessed value of the property into which the water is introduced, and in no way whatever (except in isolated cases) on the quantity used. When I say it is not a success I mean in an equitable point of view. A person occupying a house worth a \$1,000, and paying \$9 75 a year, may and probably does use fifty times as much water as another person who occupies an office worth \$2,500, and pays \$18 75 a year. The Street Watering is also, I believe, not based in any way upon the area watered and consequently on the amount of water used, but on the assessed value of the property in front of which the watering is done. Still there is some fairness. Only those who use the water or are able to use the water pay for it. Real Estate near which the water pipes do not pass does not pay anything. Those who have not the water introduced only pay half rates. In the Abstract of Receipts it appears that the sum of \$113,146.40 was received from water rates and street watering rates. This \$113,146.40 is paid entirely on Real Estate. How is that? Why should not personalty be assessed? If anyone residing in a house is assessed on that house for good roads, sidewalks, schools, gas, fire and police protection, and then has to pay on all his personal property for the same thing, why in the name of common sense should not his personalty pay for the water? Would not this be quite as equitable as to assess his personal property for the other items. It is not necessary to go through all the items of expenditure, as many of them are of small amount and referable to the same principle as those which I have

already discussed. I will only speak of two other items, Sewerage and Interest. What has sewerage to do with personality? A Real Estate owner builds a house as an investment. Before he can hope to rent it he must provide proper accommodation. If he built it without chimneys it would not rent. Tenants would object to stick the stove pipes out of the windows or through the roof. In like manner proper sewerage must be provided. This is a convenience attached especially to the house occupied by any person, and the taxes paid on the house should cover this as well as other charges. Take for example a row of dwelling houses of uniform size and containing similar accommodation, and also rented at the same yearly rental. Now, of half-a-dozen tenants, no two are alike as far as regards their wealth. One may be a poor widow struggling to support herself and little ones by keeping boarders, for which purpose she requires a house far above her own individual wants. Her next door neighbor may be a merchant or manufacturer and so on. All these people evidently enjoy all the same benefit from the Sewerage, Schools, Gas, Police, Fire Department, and other subjects of expenditure. These things cost a certain amount to provide and therefore a certain definite value can be given for a certain amount of money. The landlord can only get the same amount of rent from each tenant. He can't ask any larger sum from the rich man because he is rich. Why then should the rich man pay more for these items. Is this equitable or fair? It does not so seem to me. The next item I shall discuss is Interest, \$132,997. This includes interest on Water Works Debentures which amounts to about \$60,000, leaving about \$73,000 for General Purposes and other debentures. As before stated the revenue from the Water Works, including street watering rates, amounted to \$113,146, which is more than sufficient to cover the interest on the debentures, the Sinking Fund proportion about \$9,500, and charges against revenue, which items amount in the aggregate to about \$100,000, and helps toward the amount expended on Capital Account, about \$30,000. As before stated, the revenue from Water Works is derived now wholly from Real Estate, so that the \$73,000 of interest is all I have to discuss. This is required to pay the interest on the old debts, which debts were mainly incurred in bonuses to Railways and other improvements which were deemed necessary or advisable to improve the City, and to keep it up in such way as to make it of some reputation as a place of business, so as to induce persons with capital to cast in their lot with us. This interest is a charge that should be borne by Real Estate only. This indebtedness is of twenty-five or thirty years standing at least. It is over twenty years since the debt was re-arranged, and there seems no fairness in expecting personal property of persons who had nothing to do with contracting these debts—who derived no benefit from those debts—to assist in paying them off. It is very different with Real Estate. These debts were incurred at a time when it was feared that other places would spring up which would go ahead of us, which would necessarily have caused a great decline in the values of Real Estate. Merchants would have left the place and taken their personality with them, but the land and empty buildings would have remained. These debts were incurred to save the Real Estate owner, not to benefit personal property. It was very much of the nature of a speculation which was not entirely successful. Probably merchants and others holding personal property might have been as active as Real Estate owners in incurring these debts. They acted in a public spirited way, and had the interest of the City at heart, but if the matter is looked at without prejudice, it will, I think, be manifest that the actual effect was to improve the value of Real Estate. It will be well remembered that there was a great boom in Real Estate about the time these debts were incurred, say 1851-2-3. Lots were sold then at prices which they have never reached since. The effect was to raise the price of Real Estate, and large amounts changed hands at big prices. Upon looking at the Abstract of Receipts, it will be seen that the amount raised directly from the people by assessment arises from the Taxes and Water Rates. These two items amount to \$425,500 or thereabouts, of which over one-fourth is already raised entirely from Real Estate, and I have endeavoured to show why I consider that the other three-fourths should be raised in the same way. It seems to me to be a mistake to jump to the conclusion that every one in the City should be taxed according to his wealth. To assert this as a mere proposition without showing any principle of equity and justice to support it, is unreasonable and illogical. The City spends its money practically, or I think I mean theoretically, in the same way as an individual receiving a certain equivalent of work for the money expended. This means that a certain

amount of water is pumped into the reservoir and delivered in the City for a certain sum of money expended. This is worth so much a gallon, and there is no equity or reason why one man should pay twenty cents for a thousand gallons, while another pays but five cents. In the same way there is no reason why one man should pay twenty times as much for the privilege of sending his children to the public schools as his neighbor does, and so on with all other items of expenditure. But I am willing to submit to this inequality so far as Real Estate is concerned, on the principle (poor as it is) that if the land was not occupied by a large house or business premises it might be occupied by dwellings which would contain several families, and also because I consider all the expenditure as incidental and appurtenant to the Real Estate, and therefore the price of the commodity is based on the value of the Real Estate to which it is incidental rather than on the cost price of the article supplied. I fail to see any reason why we should go beyond that and assess the personal property of the individual for the same things. Real Estate owners may grumble, but if they honestly consider the subject I think they will admit that my theory of the fairness of an equivalent for money paid cannot be controverted, and that by assessing Real Estate only, every citizen is at any rate placed on a fair basis, that is that each pays in proportion to the Real Estate or integral portion of the whole city which he occupies. It is not in the least fair in the way of supply and demand, but still the injustice, such as it is, viz: the absence of a fair equivalent for the money paid, is more evenly divided in this way than in any other, but the bringing in of personal property entirely disturbs the uniformity of injustice, and without any additional benefit or corresponding advantage places the owner of personal property in a very unfair position.

In conclusion I advocate the assessment of Real Estate only, without any exemption other than Government and City property, and the buildings only of places of worship, assessing the land on which they are erected and connected with them; and I do this in order to encourage the building of handsome churches. It won't do to look too closely at this reason, because it would equally apply to private buildings and bring us straight down to the Henry George plan, as far as I understand it. This plan of assessment has admittedly the great merit of simplicity and the impossibility of escape.

It has also the merit of uniformity. Every one would be assessed upon the same plan; the burden of taxation being referable to the value of the Real Estate occupied, the benefit paid for being incidental to the property occupied. That while admitting the weak points which I have noticed, (that is the very different amounts paid by different individuals for the same thing) yet this being unavoidable so far as I can see at present, the plan proposed offers greater advantages than any plan yet proposed.

That we have proof of the satisfactory working of this proposed system in the raising of the \$113,000 of water rates, this amount being raised exactly as I propose to raise the other three-fourths, and while the objection exists as to the inequality in the amount paid by the ratepayers, this has not in fact created any trouble, people being willing as a general thing to pay according to their assessment, and not by meter.

If this system is adopted it will sweep out of the Assessment Act all the clauses relating to personal property, with all the extraordinary distinctions between the different classes of property, which are in my opinion so unjust. I also believe that, except in isolated cases, Real Estate owners would not find as much difference as they think. Those who would feel the change the most would be owners of Real Estate who have no personal property, and earn nothing; but as before stated we must legislate for the community, and not for individuals.

There is a very strong feeling throughout the Province that the Assessment law is far from perfect, and that a change is necessary. Few people however seem to know what they want. There crops up in their mind some institution or individual whom they think escapes too easily, and they go to work to remedy that apparent grievance without considering whether the remedy is referable to any fixed basis. This sort of thing is mere tinkering, and will do more harm than good. Whether the Cities of the Province are ready for my proposal, I do not know; probably not. Our own Finance Committee have rejected it. I am not discouraged at this, and again lay the matter before you and the public.

And remain, yours truly,

Hamilton, Ont., Dec. 5th, 1884.

GEO. S. PAPPS.

r a
ere
nd
no
of
on
his
is)
it
nd
to
he
ice
nd
gs.
I
ey
ry
on
s.
s-
is
of
ut
of

ay
ly
n-
i-
it
he
is

n
al
y
at
)
d

n
s
o
t
z

e
s
t
e
l
l

e
e
e
e

...with the ...
...the ...
...the ...
...the ...
...the ...

...of the ...
...the ...
...the ...
...the ...
...the ...